

# **FISCAL NOTE**

## **SB 1885 - HB 1326**

March 1, 2005

**SUMMARY OF BILL:** Creates new privilege tax of six percent on lottery and gambling winnings in excess of \$600 by Tennessee persons, partnerships, associations, trusts, or corporations. Exempts any person age 65 or over and whose income is less than \$16,200 (\$27,000 if married filing jointly) from the privilege tax.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenues – \$15,900,000 Recurring**

**Increase State Expenditures - \$47,000 Recurring**

**\$150,000 One-Time**

**Other Fiscal Impact – Enactment of this bill could reduce Tennessee lottery proceeds by an amount up to \$150,000. This could potentially reduce the number of lottery-funded scholarships and funding for other constitutionally permitted expenditures.**

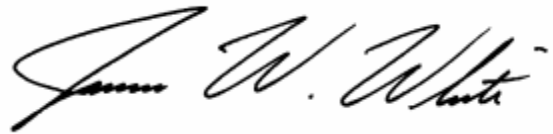
#### Assumptions:

- Taxable gambling winnings in Tennessee for FY01 were \$258.9 million.
- Annual 2.5% natural growth from FY01 to FY04.
- 25% reduction in non-lottery gambling due to the Tennessee lottery.
- Estimated tax base for non-lottery winnings exceeding \$600 is estimated at \$209.1 million for FY06.
- Estimated tax base for lottery winnings exceeding \$600 is estimated at \$85.0 million for FY06.
- Unadjusted privilege tax collections for FY06 is estimated at \$17.65 million (\$12.55 million from non-lottery winnings + \$5.1 million from lottery winnings = \$17.65 million).
- 10% of winners exempt due to age and income level.
- Adjusted privilege tax collections estimated at \$15.9 million.
- Decrease in TELC sales revenue estimated to be \$100,000 resulting from implementation of a tax on winnings.

- One-time TELC expenditures of \$50,000 associated with programming modifications to the lottery computer system.
- Increase state expenditures for one new position in the DOR estimated at \$47,000 per year.
- One-time expenditures of \$150,000 for computer programming modifications and software upgrades in the DOR.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is written in a cursive style with a large, stylized "J" and "W".

James W. White, Executive Director